



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

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The Honorable Stephen J. Solarz
The Honorable Leon E. Panetta
House of Representatives

Subject: Allocation of Funds for Block Grants with
Optional Transition Periods (GGD-82-65)

In your November 20, 1981, letter, you requested that we monitor the allocation of funds for those block grants created by the Omnibus Budget Reconciliation Act of 1981 which have optional transition periods during fiscal year 1982. You asked us to determine if States which opted to begin administering the grants were treated differently than those which elected to let the Federal Government continue to manage the predecessor categorical programs. You expressed particular concern about the Community Services and the Maternal and Child Health programs, and you noted that differences may have occurred in other optional block grants.

As of March 23, 1982, the other two optional block grants in operation were the Preventive Health and Health Services and the Alcohol, Drug Abuse, and Mental Health grants. All four optional grants are administered by the Department of Health and Human Services (HHS). This report describes how the Department made allotments 1/ to the States for the optional block grants during the first half of fiscal year 1982 under the first, second, and third continuing resolutions.

For the first continuing resolution, allotments for States which opted to begin administering the block grants were calculated on a different basis than allotments made available for grantees within the nonblock grant States. During the resolution period, which was in effect from October 1, 1981, through November 20, 1981, States accepting the block grants were allotted 25 percent of their annual amount while only 14 percent of the annual allotment for grantees within nonblock grant States was made available for award. Additionally, for the three health block grants, the base for computing the 14 percent allotment for grantees within States not administering the block grants was lower than that used for block grant State allotments.

This HHS policy, however, was revised after enactment of the second continuing resolution, and cumulative nonblock grant States allotments were increased to put the nonblock grant States

1/Budget terms used in this report--allotments and apportionments--are defined in the glossary contained in enclosure I.

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on the same basis as block grant States. Such equal treatment was continued under the third continuing resolution, in effect from December 16, 1981, through March 31, 1982.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Omnibus Budget Reconciliation Act of 1981 (Public Law No. 97-35, August 13, 1981) created nine block grant programs. For two of these block grants--Social Services and Low-Income Home Energy Assistance--States had to begin administering the programs on October 1, 1981, or lose funding. Two other block grants--Primary Care and Education--do not become effective until fiscal year 1983. Another block grant--Small Cities Community Development--was authorized to begin on October 1, 1981, but interim final regulations were not effective until March 8, 1982. This program is optional, and States presently are deciding whether to begin administering this program or let the Department of Housing and Urban Development continue to manage it. As of March 23, 1982, no funds were distributed to the States for this program.

The remaining four block grants (Community Services; Maternal and Child Health; Preventive Health and Health Services; and Alcohol, Drug Abuse, and Mental Health) became effective on October 1, 1981. For fiscal year 1982, however, States could elect to administer these block grants or let the Federal Government continue to operate the predecessor categorical programs. States could opt into these programs on October 1 or any of the remaining three quarters of the fiscal year provided that the Federal administering agency was given 30 days notice. Unlike the Small Cities block grant which has no time limit on the optional period, these four block grants must be assumed by October 1, 1982, or the State as well as entities within the State will lose funding.

In accordance with your request, our objective was to determine if States which accepted administration of the block grants were allotted funds differently than those States which did not. To accomplish this, we examined the allotments made for States under the first, second, and third continuing resolutions for the Community Services; Maternal and Child Health; Preventive Health and Health Services; and Alcohol, Drug Abuse, and Mental Health block grants.

We obtained information from HHS on (1) apportionments requested by the Department and amounts approved by the Office of Management and Budget (OMB), (2) total allotments made for block grant States and nonblock grant States, and (3) grant awards made during the first and second quarters. We reviewed OMB and HHS guidelines describing their spending policies as well as procedures established by the Office of Community Services and the Public Health Service for administering categorical grants consolidated into the Community Services and the three health block grants, respectively.

We also interviewed various officials in HHS' Office of Management and Budget in Washington, D.C., and those individuals in Rockville, Maryland, responsible for administering the Maternal and Child Health and Alcohol, Drug Abuse, and Mental Health block grants. Similarly, we talked to officials at the Center for Disease Control in Atlanta, Georgia who were responsible for the Preventive Health and Health Services block grant and officials from the Office of Community Services who were responsible for the Community Services block grant.

BLOCK AND NONBLOCK GRANT STATES
RECEIVED DIFFERENT ALLOTMENTS UNDER
THE FIRST CONTINUING RESOLUTION

The first continuing resolution passed by the Congress (Public Law No. 97-51) specified that from October 1, 1981, through November 20, 1981, appropriation levels for programs were to be either (1) their fiscal year 1981 appropriation level or (2) the fiscal year 1982 amounts reported out by the House or Senate Appropriations Committees or passed by either House as of October 1, 1981--whichever is lower. If figures were available for both Houses, then the lower one would be compared to the 1981 level. The amounts established as the governing figures are known as the continuing resolution levels. Additionally, the President had submitted revised fiscal year 1982 budget figures in September 1981 which created another level that later was used by OMB as the basis for apportioning funds. According to HHS documents, these different figures for the optional block grants are listed below:

<u>Block grant</u>	<u>Fiscal year 1981</u> <u>appropriations</u>	<u>Fiscal year</u> <u>1982 level</u> <u>(note a)</u> <u>-(millions)-</u>	<u>President's</u> <u>September</u> <u>request for</u> <u>Fiscal year 1982</u>
Community Services	\$ 525	\$ 363.	\$ 225
Maternal and Child Health	455	331	288
Alcohol, Drug Abuse, and Mental Health	549	485	428
Preventive Health and Health Services	94	95	82

a/Figures established in H.R. 4560 which was reported out of the House Appropriation Committee on September 23, 1981.

Except for Preventive Health and Health Services program, the fiscal year 1982 level in each case was lower than the 1981 figures and, according to the first continuing resolution, provided the interim level for apportioning program funds. According to OMB instructions for apportionment dated October 7, 1981, however, the agency would apportion funds based on the President's September figures to preserve congressional options in formulating final appropriations for the fiscal year. This policy stated that these options included considering the Administration's revised requests and spending targets established by the Congress in the first concurrent budget resolution for fiscal year 1982.

Accordingly, OMB stated that all amounts requested for apportionment should not exceed 14 percent of the President's revised budget requests. The 14 percent represented the portion of the fiscal year covered by the first continuing resolution. Any requests for apportionment exceeding 14 percent of the September levels were to be accompanied by written justification.

For the block grant programs, HHS requested that about 25 percent of the continuing resolution levels be apportioned. In the accompanying justifications, HHS stressed that the States should be given maximum flexibility to implement the new block grant programs during the first quarter which, according to the Department, was the most critical time for accomplishing necessary programmatic changes. The justification further stated that by providing this flexibility through additional funds, the Secretary would be able to honor commitments made to the Governors as part of the President's block grant initiative.

OMB approved the block grant apportionment requests at the continuing resolution level for the Preventive Health and Health Services, Maternal and Child Health Services and Alcohol, Drug Abuse, and Mental Health Services block grants. Only 25 percent of the President's revised budget request, however, was apportioned for the Community Services block grant.

HHS policy under the first continuing resolution was to make allotments for block grant States at the 25-percent apportionment levels approved by OMB. Allotments for nonblock grant States, however, were made on the basis of 14 percent of the President's revised September budget request. Individual awards to recipients within nonblock grant States also were made on this basis. HHS officials said they adopted this policy because they believed that States electing to operate the block grants needed a greater percentage of their annual allotment to start up their operations. Because grantees in nonblock grant States were administering an ongoing program, HHS officials believed the higher rate of funding was not needed.

HHS SPENDING POLICY REVISED
UNDER THE SECOND CONTINUING
RESOLUTION

The second continuing resolution (Public Law No. 97-85, November 23, 1981) extended the effective period of the first continuing resolution to December 15, 1981. Although this resolution did not change the annual appropriation levels for the block grants, HHS changed its previous policy and revised the allotments for nonblock grant States to put them on the same basis as block grant State allotments. Thus, nonblock grant States' allotments for the three health block grants and for the Community Services program were increased to 25 percent of the continuing resolution levels and to 25 percent of the President's revised September budget level, respectively.

In accordance with the increased allotments for nonblock grant States, Community Services and Maternal and Child Health headquarters officials notified their appropriate regional offices on December 10 and 11, respectively, to issue revised first quarter awards to grantees in those States. Such revisions, however, were not made under the Preventive Health and Health Services and Alcohol, Drug Abuse, and Mental Health programs, according to officials at the Center for Disease Control and the Alcohol, Drug Abuse and Mental Health Administration. These officials stated that, because final guidance was not provided until a few days before the end of the second continuing resolution and because grantees in nonblock States did not require additional funds, they decided to wait until the second quarter of fiscal year 1982 to make the appropriate adjustments.

The extremely short time period of the second continuing resolution, about 3 weeks, also was cited as a factor by HHS officials for not making additional allotments to all States, even though OMB advised the Department on December 3 that available apportionments were raised automatically to 150 percent of the amount realized under the first resolution. Pursuant to OMB's guidance, HHS issued revised guidelines on December 7 stating that grantees could receive up to 150 percent of the amounts awarded under the first continuing resolution if a higher rate of program operations was justified. However, this left only 8 days before the end of the second resolution period. HHS program officials stated that this did not allow sufficient time to request, receive, and review the necessary justification from grantees, and they further stated that most grantees already were funded at 25 percent of the annual appropriation level under the first resolution.

ALLOTMENTS TO BLOCK AND NONBLOCK
GRANT STATES WERE MADE ON THE
SAME BASIS UNDER THE THIRD
CONTINUING RESOLUTION

Under the third continuing resolution HHS made allotments for block grant and nonblock grant States on the same basis for each of the four block grants. This resolution (Public Law No. 97-92, December 15, 1981) extended the funding authority for the block grants through March 31, 1982, and revised their annual appropriation levels. These changes increased the basic appropriation level for the Maternal and Child Health program and decreased such levels for the Alcohol, Drug Abuse, and Mental Health; Preventive Health and Health Services; and Community Services block grants. In addition, the third continuing resolution specified that these appropriation levels be reduced by 4 percent.

Pursuant to OMB instructions on apportioning funds under the third continuing resolution, apportionments for the four block grants were approved at 51 percent of the continuing resolution level. The 51 percent represents that portion of the fiscal year covered by the third continuing resolution. For the Community Services and Preventive Health and Health Services block grants, HHS program officials allotted 51 percent of the annual level for block and nonblock grant States. Program officials explained that, for the Maternal and Child Health Services and the Alcohol, Drug Abuse and Mental Health Services program, 50 percent of the annual levels were allotted for all States because the ending date of the resolution marked half of the fiscal year.

CONCLUSION

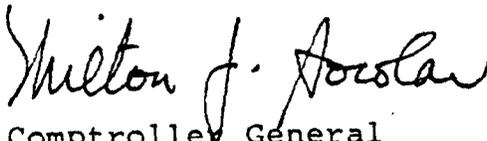
For the first continuing resolution, States which opted to begin administering the block grants were treated differently than those States which did not. This HHS policy was revised after enactment of the second continuing resolution, and nonblock grant State allotments were increased to the same basis as block grant State allotments. This equal treatment has been continued under the third continuing resolution.

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We did not obtain official HHS comments on this report. We did, however, discuss it with HHS program officials who agreed with the accuracy of information included in this report. Some clarifying comments they made were considered in preparing this report.

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As you requested we will continue to monitor the allocation of funds for optional block grants during the remainder of fiscal year 1982. We will keep you apprised of our work.

for 
Comptroller General
of the United States

Enclosure

GLOSSARY OF BUDGET TERMS 1/ALLOTMENT

An authorization by the head (or other authorized employee) of an agency to his/her subordinates to incur obligations within a specified amount. An agency makes allotments pursuant to the requirements stated in OMB Circular No. A-34. The amount allotted by an agency cannot exceed the amount apportioned by OMB.

APPORTIONMENT

A distribution made by OMB of amounts available for obligation, including budgetary reserves established pursuant to law, in an appropriation or fund account. Apportionments divide amounts available for obligation by specific time periods (usually quarters), activities, projects, objects, or a combination thereof. The amounts so apportioned limit the amount of obligations that may be incurred. In apportioning any account, some funds may be reserved to provide for contingencies or to effect savings, pursuant to the Antideficiency Act; or may be proposed for deferral or rescission pursuant to the Impoundment Control Act of 1974.

The apportionment process is intended to prevent obligation of amounts available within an appropriation or fund account in a manner that would require deficiency or supplemental appropriations and to achieve the most effective and economical use of amounts made available for obligation. In this regard, Federal agency obligations may not be incurred in excess of the amount of budget authority apportioned.

1/Definitions are taken from A Glossary of Terms Used in the Budget Process, U.S. General Accounting Office, March 1981.